

FILE

DD/S 68-4536

(1969)

MEMORANDUM FOR: Executive Director-Comptroller

Mr. Bannerman asked that you be advised that

[REDACTED] OGC, will be visiting the TVA to

discuss the TVA "Take Stock Plan" on 4 October 1968. The date was

worked out mutually with the TVA by correspondence between Bob

Wattles and the TVA and a telephone call from [REDACTED] to TVA's

designated representative.

[REDACTED]
John W. Coffey

cc: SA-DD/S for Special Studies

ADD/S:JWC/ms (5 Sept 68)

Distribution:

Orig - Adse

1 - ER

1 - DD/S Chrono

1 - DD/S Subject, w/background (DD/S 68-3489, 68-3417, 68-2767,
68-2876)

1 - Mr. [REDACTED] (for inclusion in "Deputies Meetings" file)

OGC Has Reviewed

SECRET

SECRETFILE *Personnel 117*

DD/S 68-3489

15 JUL 1968

MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Employee Voluntary Stock Purchase Plans
for Supplement to Retirement Income

1. Some time ago you mentioned newspaper publicity on the TVA voluntary retirement savings and investment plan and asked that this be looked into for consideration as to whether it would be worthy of application to the Agency.

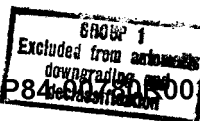
25X1 2. [] has secured some facts and literature on the TVA "Take Stock Plan". The Office of the General Counsel has reviewed the attached papers and has advised that they perceive no legal objection to the general proposal. Both of these papers are attached for your information.

3. Some guidance is needed, however, as to what next step to take. At some point we should sound out Agency employees to elicit the degree of their interest in such a proposal. Additionally we should touch base with the Civil Service Commission, the Bureau of the Budget, the Internal Revenue Service and our Congressional Committees. I think it would be well to find out the interest of the Agency employees before we staff out a complete proposal and certainly before we touch base with the other agencies. I believe a first step would be to present this proposal to the Deputies Meeting for their reaction and then determine what course of action we next take. I would appreciate your guidance in this regard.

SIGNED R. L. Bannerman

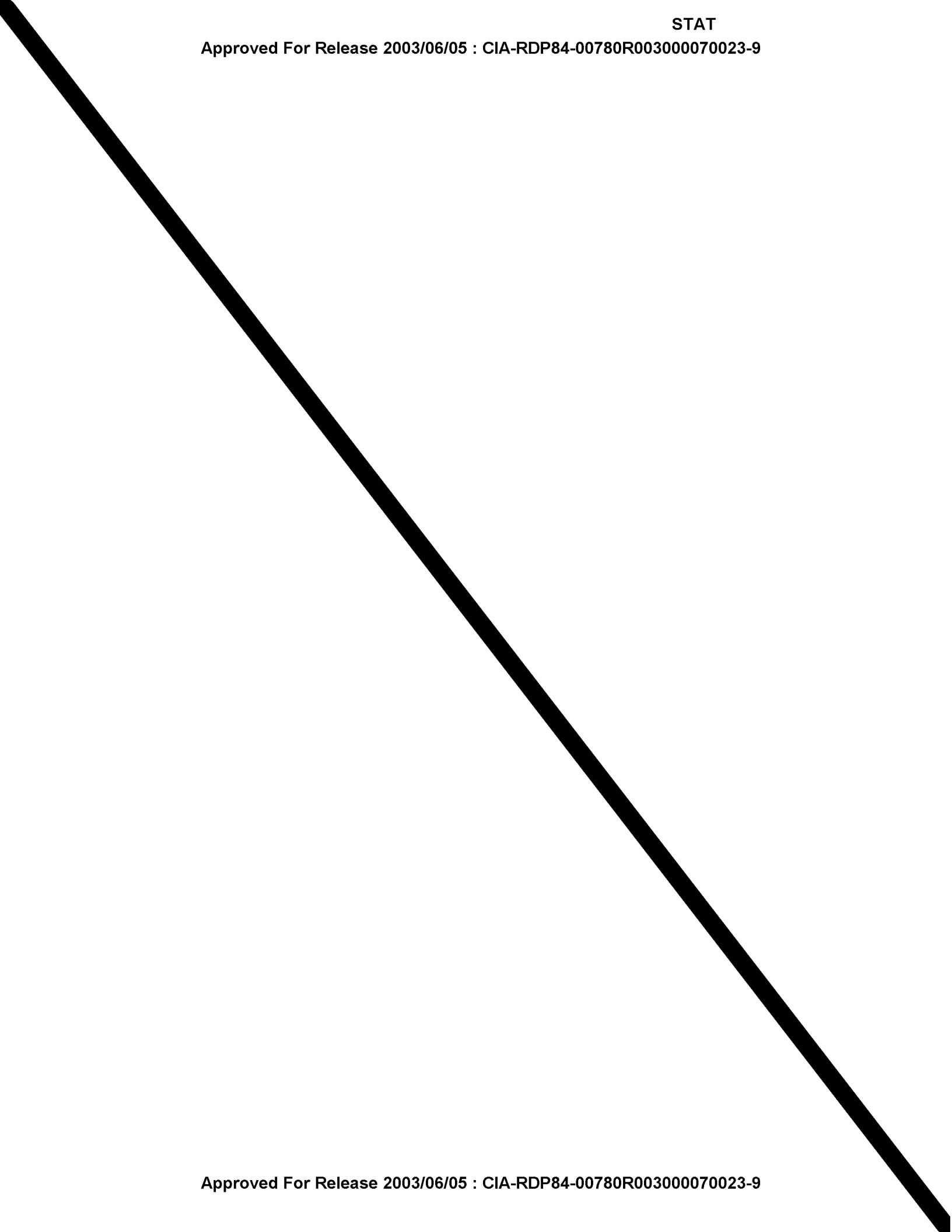
R. L. Bannerman
Deputy Director
for Support

2 Atts:

Att 1: Memo dtd 5 Jul 68 to DD/S
fr A-GC, same subjAtt 2: Memo dtd 28 May 68 to DD/S
fr C/RCPS, same subj**SECRET**

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DD/S 68-3489

MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Employee Voluntary Stock Purchase Plans
for Supplement to Retirement Income

1. Some time ago you mentioned newspaper publicity on the TVA voluntary retirement savings and investment plan and asked that this be looked into for consideration as to whether it would be worthy of application to the Agency.

25X1 2. [] has secured some facts and literature on the TVA "Take Stock Plan." and the Office of the General Counsel has reviewed such a possibility with respect to legal objections. Both of these papers are attached for your information.

3. Before proceeding further, either to firm up a complete proposal, or to investigate employee interest in such a plan, I would appreciate your reaction to the information so far accumulated. If you believe it worthwhile to pursue this further, I would then propose to brief the other Deputy Directors, etc.

R. L. Bannerman
Deputy Director
for Support

2 Atts:

Att 1 - Memo dtd 5 Jul 68 to DD/S
fr A-GC, same subject

Att 2 - Memo dtd 28 May 68 to DD/S
fr C/RCPS, same subject

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OGC 68-1032a

5 July 1968

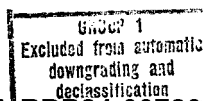
MEMORANDUM FOR: Deputy Director for Support**SUBJECT:** Employee Voluntary Stock Purchase Plans
for Supplement to Retirement Income

1. This memorandum reviews the subject plans as requested before forwarding to the Executive Director.

2. We perceive no legal objection to a stock purchase plan intended to supplement retirement income to be administered either by the Agency or the Employee Activity Association. In his memorandum to you outlining the plan, Mr. [] described the TVA "Take Stock Plan" by which TVA employees purchase mutual funds through payroll deductions. Congress has just enacted legislation specifically allowing employees to make allotments to banks of their choice and for whatever purpose. Therefore, there should be no objection to withholding sums to be paid into a regularly established bank account for purchase of stock.

3. In view of the Agency's obvious interest in retirement problems of its employees, there should be no legal objection in Agency administration of any such plan, provided the risks inherent in purchasing stocks and bonds are clearly not incurred as a liability against the Government. It would, of course, be possible for the Employee Activity Association or some similar organization established for the specific purpose to administer the stock savings plan.

4. Again, before instituting any such plan, the Agency would be well advised to discuss the policy implications with the Civil Service Commission, the Bureau of the Budget, the Internal Revenue Service, and our Congressional Subcommittees. TVA authorities might also be helpful in reviewing with the Agency the problems they encountered in organizing their "Take Stock Plan". Except for the obvious allegation that withholdings for such purposes would discourage the purchase of U. S. Savings Bonds, there could be no reason to tie such withholdings

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to the purchase of bonds as TVA has done. Finally, in development of such a plan, consideration should be given for making it financially independent of the Agency at some point through reimbursement of the cost of Agency employee time.



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Assistant General Counsel

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28 May 1968

PL/S 65-2967

MEMORANDUM FOR: Deputy Director for Support

THROUGH : Director of Personnel

SUBJECT : Employee Voluntary Stock Purchase Plans As Supplement
To Retirement Income

1. This memorandum submits recommendations for your approval in paragraph 7.

2. A preliminary investigative study has been completed by the Office of Personnel of the two supplementary retirement income plans recently publicized in local newspapers. Both of these plans included voluntary employee payroll deductions for stock purchases.

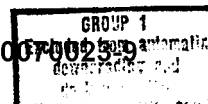
The first plan was purportedly proposed to Congress by the National Federation of Professional Organizations and the Organization of Professional Employees of the Department of Agriculture (OPEDA). This proposed plan would be sponsored by the U. S. Government and directed by a commission composed of representatives from the federal agencies and employee organizations. Federal employees would be permitted to voluntarily authorize deductions from their salaries for investment in common stock. The newspaper account (Tab A) was misleading in that this proposal is not in fact on the agenda of any congressional committee, according to the results of investigation by OLC. Mr. C. O. Henderson, Executive Director of OPEDA, confirmed that he had submitted his proposal informally in a letter to the Chairman of the House Subcommittee on Retirement.

The second plan, which is administered by TVA, has been in effect since October 1966 and is an integral element of the TVA Retirement System program. The TVA informational brochures covering the plan are attached as Tab B.

3. The TVA supplementary retirement income plan is known as the "Tennessee Valley Authority Voluntary Retirement Savings and Investment Plan" also referred to as the "Take Stock Plan."

In essence, the TVA plan is designed to offer its employees the opportunity to supplement their regular retirement benefits by enrolling in a voluntary mutual funds savings and investment program.

Any TVA retirement system member who is currently enrolled for the purchase of U. S. Savings bonds through payroll deductions, may elect to participate in the "Voluntary Retirement Savings and Investment Plan." The plan consists of two investment funds, the



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assets of which are invested in a "capital appreciation" mutual fund and an "income" mutual fund respectively. Both funds are managed by the Fidelity Management and Research Company of Boston, Massachusetts. The employee makes the choice of the fund in which his deductions are to be invested.

The TVA Retirement System Board of Directors has administrative direction of the Plan and selected the mutual funds. The professional investment managers of the two mutual funds make all the investment decisions.

The administration of the plan by TVA includes handling employee investment through payroll deductions, issuance of quarterly statements to each employee participant showing the number of shares held for his account, and upon retirement arranging for processing the employee's election for receipt of equity. All administrative costs are paid by the TVA retirement system.

4. The basic concept of group participation in mutual funds investment by individuals with common interests is well known. Many Agency employees are currently participating in so called "car pool" investment clubs. In general these groups are involved in modest dollar investments with no official Agency participation in these activities.

Most mutual funds charge purchasers (individual or group) of less than \$25,000, 7 to 8½%, with successive reductions to a minimum charge of 1% for investment purchases of \$1,000,000 or more.

According to the TVA Washington representative (Mr. Jacob D. Vreeland), approximately 1/3 of the TVA Retirement System members participate in the voluntary investment plan. TVA has an employee force of approximately 18,000. The minimum investment required in the TVA plan is \$5.00 each biweekly payroll period but a limit is set at no more than 16% of salary in both the retirement and the "Take Stock" plans. TVA plan investors are reported to maintain purchases in excess of \$1,000,000. in the funds which provide them with the advantages of the minimum 1% purchase fee.

Under current tax laws, and interpretations, the TVA "Take Stock" plan holdings are not taxed until after retirement when presumably the retiree's tax category is likely to be lower.

5. The theory behind a supplemental retirement income plan such as presently administered by TVA may appeal to a percentage of the Agency's employees who are interested in stock investments and/or willing to accept the risk involved. Legal authority for administration and payment of related costs both in money and manpower by the Agency must be resolved by the OGC. It would appear that TVA justifies its official participation in administering the plan on the pre-requisite that all employee contributors must first enroll for

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regular U. S. Savings bond deductions.

The TVA informational brochures quite properly emphasize that employee participation is voluntary, that certain risks are inherent and the TVA Retirement Board does not incur any liability because of possible decrease in the value of shares held by the individual.

6. The establishment of an Agency sponsored facility which would encourage long term regular investment savings might well provide our employees with the wherewithal to actively seek early retirement and certainly be better prepared for age 60 retirement.

It is quite possible that administration of an investment plan could be handled by a non-official Agency entity such as the Employee Activity Association rather than directly by an operating component. Administrative assistance in any form would have to be financially supported and become a further charge against the shareholders.

7. It is recommended that:

(a) A determination be made by OGC as to whether a plan such as the TVA Take Stock Plan can be legally administered by the Agency or the Employee Activity Association.

(b) If such a plan can be legally administered, full administrative details and costs experienced by TVA are to be obtained from appropriate officers of the TVA, by the Office of Personnel and a firm proposal submitted by it.


Chief, Retirement Counseling and Placement Staff

Attachments:

Tabs A and B

CONCUR:

/s/ Robert S. Wattles

29 MAY 1968

R. S. Wattles
Director of Personnel

Date

Above recommendations are approved:

R. L. Bannerman
Deputy Director for Support

Date

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DD/S 68-2876

6 JUN 1968

MEMORANDUM FOR: General Counsel

SUBJECT : Employee Voluntary Stock Purchase Plans As Supplement
to Retirement Income

25X1 The Executive Director noted some publicity on the TVA Voluntary Retirement Savings and Investment Plan and asked that this be looked into for consideration as to whether it would be worthy of application to the Agency. [] has submitted the attached memorandum dated 28 May 1968 for consideration. It is requested that you review this proposal for your comments before it is forwarded to the Executive Director. While not mentioned herein the Agency has not at any time to my knowledge queried the employees as to whether they would have any interest in such a plan and I would consider this a first step if such a proposal is within the Agency's authority and appears feasible.

SIGNED R. L. Bannerman
R. L. Bannerman
Deputy Director
for Support

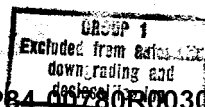
Att: Memo dtd 28 May 68 for DD/S
fr C/RCPS, same subj.

DD/S:RLB:ksd (6 June 68)

Distribution:

- Orig - Adse w/att (DD/S 68-2767)
- 4 - DD/S Subject w/ccy DD/S 68-2767
- 1 - DD/S Chrono

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SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM			
UNCLASSIFIED	CONFIDENTIAL	SECRET	
OFFICIAL ROUTING SLIP			
TO	NAME AND ADDRESS	DATE	INITIALS
1	RLB		
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ACTION	DIRECT REPLY	PREPARE REPLY	
APPROVAL	DISPATCH	RECOMMENDATION	
COMMENT	FILE	RETURN	
CONCURRENCE	INFORMATION	SIGNATURE	
<p>Remarks:</p> <p style="font-size: 1.2em;">Believe you wished to see this before any approach to OGC.</p> <p style="text-align: right; font-weight: bold;">STAT</p> <div style="border: 1px solid black; width: 100px; height: 60px; margin: 10px auto;"></div> <p style="text-align: right; font-weight: bold;">4 JUN 1968</p>			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADDRESS AND PHONE NO.			DATE
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INTERNAL
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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Chief, Retirement Counseling and
Placement Staff, 212 Magazine

EXTENSION

NO.

DATE

29 May 1968

25X1

TO: (Officer designation, room number, and
building)

DATE

RECEIVED

FORWARDED

OFFICER'S
INITIALSCOMMENTS (Number each comment to show from whom
to whom. Draw a line across column after each comment.)

1.

Director of Personnel

29 MAY 1968

P&W

I have concurred solely for the
purpose of pursuing this to the end.
I do not concur in the proposal and
have serious reservations as to
desirability, feasibility and
legality.

P&W

2.

3.

Deputy Director for
Support

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Director of Personnel

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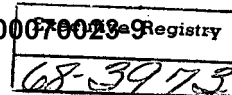
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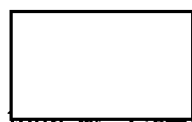
MEMORANDUM FOR: Executive Director-Comptroller

Mr. Bannerman asked that you be advised that

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[redacted] OGC, will be visiting the TVA to discuss the TVA "Take Stock Plan" on 4 October 1968. The date was worked out mutually with the TVA by correspondence between Bob Wattles and the TVA and a telephone call from [redacted] to TVA's designated representative.

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John W. Correy

cc: SA-DD/S for Special Studies

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